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# Leadership and Governance in Regional Tourism

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## Abstract

The rise of neoliberal market management has contributed to an incontrovertible “truth” that regional tourism organizations (RTOs) established and led by business actors are more effective in leading regional tourism development. Despite these assertions, little evidence has surfaced to support the idea that market-led governance offers a superior model of leadership for regional tourism. This paper adopts an embedded case study approach, undertaking a comparison of leadership in two RTOs that are operating in the same geographical location but under different governance regimes. Semi-structured interviews with executives/leaders and stakeholders/followers were undertaken in two RTOs, a market-led organization and a government-led organization. The purpose of the study was to examine the influence of governance arrangements on the capacity of these RTOs to lead tourism. Findings reveal that while dimensions of governance such as participation, efficiency, legitimacy, accountability, effectiveness and transparency influence a RTO’s capacity to lead, good governance and strong leadership were not necessarily synonymous. RTOs can demonstrate varying levels of effectiveness in different dimensions of governance and leadership can be strong in some aspects and weak in others at the same time. The paper argues for a more nuanced approach to understanding governance and leadership.

**Keywords:** Regional tourism, destination management, governance, leadership, RTO, Brazil

## **INTRODUCTION**

Current destination management discourses suggest that the capacity of a tourism organization to implement effective and sustainable strategies involves power sharing, collaboration and joint resourcing arrangements between the public and private sectors (Bramwell and Lane 2011; Jamal and Getz 1999). In the context of regional tourism, such strategies are often difficult to implement because the industry can be small and highly fragmented, and there can be a lack expertise and social capital within the local business community (Barca et al. 2012; Foster-Fishman et al. 2001; Zhao et al. 2011). Much of the research to date has conflated good governance with leadership, but it is not always clear who is leading regional tourism or whether governance structures and processes facilitate or inhibit leadership (Dredge and Jenkins 2003; Morrison 2013; Pike and Page 2014; Valente et al. 2014). A closer examination of this relationship between governance and leadership raises important questions. For example, do some governance structures produce greater capacity to lead regional tourism? And what type of leadership can be expected from different governance arrangements?

This paper addresses these questions by problematizing a taken-for-granted relationship in the literature that good governance is synonymous with strong RTO leadership. Adopting an inter-organizational networked view of leadership rather than a focus on the characteristics of individual leaders (see Zehrer et al. 2014), this paper assesses the capacity of two RTOs to lead regional tourism development: a market-led regional tourism organization and a hybrid government-led regional tourism organization. An embedded case study of the two RTOs located in the Brazilian State of Minas Gerais provides the setting for this investigation.

Governments around the world, including Brazil, are implementing regional tourism policies that place an onus on RTOs to achieve tourism and economic development policy objectives (Bramwell and Lane 2011; Fortes and Mantovaneli 2009). Mirroring processes that are occurring in many countries, regional destinations in Brazil are adopting different RTO models ranging from bureaucratic command-and-control governance structures to corporate structures operating as commercial entities (Araujo and Bramwell 2002). The adoption of different governance models provides an opportunity to compare and contrast leadership capacity under different scenarios. In directing attention to this nexus between governance and leadership, the contributions of this paper are to better understand the influence of governance on regional tourism leadership and to identify implications for regional tourism policy and RTO management.

## **REGIONAL TOURISM LEADERSHIP**

Leadership has received extensive attention in the literature with a range of theories emerging focusing on the characteristics and behaviors of individual leaders and their relationship with followers. Different theories have emerged including trait, behavioral, contingency, and integrative leadership (Bass 1985; Crosby and Bryson 2005; Daft and Lane 2005; Fielder 1973; Franke and Felfe 2011; Pearce et al. 2008). These theories have predominantly emerged from within business studies and in corporate settings that are characterized by clear boundaries where individual leaders are appointed to their positions (Nunes et al. 2012; Peters and Austin 1985; Tiffany 1999). The point of difference between this corporate leadership and regional tourism leadership is that RTOs often lack clear organisational boundaries and structures; there is no clear command and control position in

regional tourism; leadership in regional tourism is often more about serving a diverse community with disparate interests rather than leading a corporation with a homogeneous set of profit-oriented objectives; and leadership often needs to emerge from the regional actors themselves through a consensus-driven approach. In this context, leadership in RTOs presents a very different set of challenges to leadership in corporate entities.

As a result, any discussion of leadership in regional tourism requires a consideration of leadership in an ambiguous context, in which power is shared and there are multiple competing interests. Previous research in regional tourism has revealed that leadership is a process, an outcome and a concept that is at once tangible (such as a formal position) and intangible (such as an experience, a conversation or the “soft” power of a charismatic actor) (Bolden et al. 2009; Chemers 2014; Tourish 2014). In investigating how regional actors define leadership in the Brazilian RTO context, Valente *et al.* (2014) revealed four dominant leadership themes: (1) the capacity to produce results, (2) the capacity to mobilize followers, (3) the articulation and communication of goals and actions, and (4) the clear articulation of roles and responsibilities. This paper adopts these themes to examine the capacity of the two case study RTOs to lead regional tourism.

### **Public-Sector versus Private-Sector Leadership**

The capacity of an RTO to lead tourism in a destination and to harness the collective power of stakeholders to achieve common goals depends on an organization’s ability to perform certain tasks. These tasks include engaging with industry and community interests (e.g. Morrison 2013); achieving consensus regarding shared goals (e.g. Torres-Delgado and Palomeque 2014); and developing and implementing resilience in the face of new challenges (e.g. Becken 2013). In regional tourism, community groups, public-sector agencies, private-sector interests, non-governmental and not-for-profit agencies (here, in this study called by “third sector”) are often motivated by a range of interests and goals. Some of these interests and goals may be shared, whereas others may be unique, competitive or inconsistent with the ideas of other actors (Crosby and Bryson 2005). It is therefore necessary to understand where the capacity to lead resides (both in individuals and in organizations) and how leadership is practiced in these tricky public-private spheres (Bramwell and Lane 2011; Dredge and Thomas 2009).

Positions diverge regarding whether the public or the private sector is more capable of leading regional tourism. On one hand, Vernon *et al.* (2005) argue that the private sector is fragmented and that the public sector is therefore better placed to develop strategic directions and innovations. However, these authors also recognize that partnerships are dynamic over time and can vary according to the presence and ability of individual private actors to influence outcomes. On the other hand, Esteve (2009), Nepal (2009) and Valls (2006) argue that when the public sector assumes leadership, interactions between state and business interests can dominate and it is possible that interactions between community groups and not-for-profit organizations become marginalized. Governments can also have difficulty operating in flexible and adaptable ways as required in a competitive business world, and leadership may not be sufficiently agile to deal with market shifts in times of crisis (Bolman and Deal 2013). To illustrate, in responding to market shifts, volatility or a crisis, an RTO may require a multi-sectoral response. However, the rigidity of the public sector, where roles and responsibilities are tightly defined, can impede rapid management responses. Furthermore, the dispersion of responsibilities and convoluted lines of communication may compromise clear, definitive leadership (O’Toole Jr 1997; Terry 2003). In a federal system, such as Brazil, the leadership challenge may be further exacerbated because most public policies at the federal

level do not address local needs (Gomes and Santos 2007; Pires et al. 2011). The Brazilian states and municipal governments have responsibility for implementing regional tourism initiatives and are significantly less well resourced. Policy directives percolating down from higher levels to lower levels of government are often diluted, which adds weight to the argument the public sector is perhaps not as capable to lead regional tourism as the private sector.

### **Leadership in Public-Private Tourism Governance**

A decrease in public sector funding has created the need for partnership arrangements between governments and industry. In response, regional tourism policy in many countries has increasingly adopted public-private partnership arrangements using a public-private RTO partnership model (Hall 1999a; Wilson et al. 2009). In Brazil, the Ministry of Tourism directs that RTOs must adopt a leadership role to provide stewardship and strategic development for regional tourism (Setur PR 2011). The goal is to minimize government involvement and to avoid over-bureaucratization and corruption. Thus, the Ministry of Tourism recommends that the leadership of RTOs, which remain under the coordination of the government, be transferred from the public sector to another type of entity appropriate to the region (Fratucci 2009; Pereira and Lopes 2010).

RTOs adopting a public-private model of governance are thought to possess advantages in terms of their ability to lead compared with public or private sector entities (Goldsmith and Eggers 2004; Pike 2007). RTOs consist of a range of public, private and non-government actors and can call upon a broad range of skills, knowledge and capacities possessed by these diverse actors. Raelin (2012) and Subirats (2003) argue that effective RTO leadership should be participatory and democratic, giving equal voice to the various actors involved in regional tourism. The ability of an RTO to lead regional tourism also implies a governance framework that establishes who leads and who follows. A clear governance framework can enhance values such as shared goals, communication and power sharing, stewardship over the destination and balancing regional power relations, which enables stakeholders to spend less time on parochial politics and more time on constructively aligning their activities with the lead organization. Thus, the capacity to lead regional tourism and tourism governance are inextricably related (Helms 2012).

### **TOURISM GOVERNANCE**

Tourism governance has attracted considerable attention in the literature with a large number of studies in different contexts purporting to identify or prescribe the characteristics of “good governance” (Beaumont and Dredge 2010; Lockwood 2010). Dredge and Pforr (2008) and Dredge, Jenkins and Whitford (2011) argue that the term “governance” was initially associated with explorations of how greater transparency and accountability could be achieved in public-private partnerships. Influenced by a belief that clear causal relationships could be established between condition and consequence, this early work assumed that the dimensions of “good governance” could be prescribed in terms of participation, legitimacy, transparency, efficiency and efficacy (Bornhorst et al. 2010; d'Angella and Go 2009; Ruhanen et al. 2010). This line of reasoning suggests that, if a public-private partnership addressing each of these dimensions could be implemented, this would automatically produce an effective RTO with implicit leadership.

Early work in tourism governance also embraced the idea that power, expertise and resources to manage tourism were distributed among public, private and non-governmental actors, and that good or effective governance is more likely when all actors work together. In these developments,

governments were no longer viewed as separate and independent of the private sector, and bureaucrats were no longer considered to be the sole arbiters of public interest or unilateral agents of tourism public policymaking (Rhodes and Wanna 2009). Traditional scientific models of tourism policy dominated by government and bureaucrats were dispelled and in their place collaboration, partnerships and shared policy-making became the norm (Dredge and Thomas 2009). Accompanying this shift there was also optimism that power sharing governance arrangements between public and private actors could minimize the negative impacts of an industry overly focused on corporate interests and profit maximization (Nanda 2006; Weiss 2000) and that learning was likely to be facilitated from the public and private sectors working together for shared goals.

Since these initial theoretical developments, normative notions of “good governance” have been backgrounded and attention has shifted to more critical explorations of how governments and the private sector work together (or not). The focus has also broadened to acknowledge the role and influence of non-government, community and non-traditional stakeholders. Critical researchers have noted that that neoliberal values have continued to dominate public-private governance arrangements and that governance is often used as a type of “rhetorical shield” to justify business-as-usual practices that prioritize commercial interests over other public interests (Bramwell and Lane 2011; Bramwell 2011; Hordijk et al. 2014). This perspective reveals that in certain cases governance has been used to support and justify a tightening of business-government interests and that collaboration and power-sharing have not been achieved (Bramwell and Lane 2011; Bramwell 2011). Thus, the initial optimistic view of governance has given way to a more critical view, where public-private governance does not necessarily contribute to effective political structures, informed and open decision-making or empower a strong civil society (Dredge and Thomas 2009; Torfing et al. 2012).

Within the context of these above criticisms, this paper explores two different models of regional tourism governance and builds insights into how each model empowers or inhibits leadership. Based on the discussion above, the framework shown in Figure 1 illustrates the close relationship between leadership and governance. Dimensions of governance commonly discussed in the literature include participation, legitimacy, accountability, transparency, efficiency and efficacy (Bramwell and Lane 2011; d'Angella and Go 2009; Dredge et al. 2011; Ruhanen et al. 2010) and these aspects influence an RTO's capacity to lead. In a reciprocal relationship, this capacity of an RTO to lead also influences an RTO's ability to develop good governance.

*Insert Figure 1 about here*

## **APPROACH AND METHODS**

This research aims to assess the capacity of two RTOs to lead regional tourism development: a market-led regional tourism organization and a hybrid government-led regional tourism organization. The capacity to lead is defined as a process, an outcome and a concept that is simultaneously tangible (such as a formal position of power) and intangible (such as an experience, a conversation that influences, or the “soft” power of a charismatic actor). Leadership is socially constructed, and it is therefore impossible to measure or analyse a RTO's capacity to lead based on the identification and measurement of attributes or variables. For example, the presence of an individual in a leadership position does not necessarily mean that the RTO is being effectively led. Nor do the number of board

meetings or regularity of official communications mean that the RTO is mobilizing its followers (i.e. businesses, NGOs etc.) towards shared goals. This position influenced our adoption of a mixed-method qualitative research strategy using secondary sources of data and semi-structured in-depth interviews (Patton 2002).

This research adopted an embedded case study approach which allowed the comparison of leadership in two different RTO settings (see Yin 2009). In this research, the sub-units of analysis were two RTOs that operate under different governance regimes in the same geographical area. According to Yin (2009), case studies are particularly useful when the boundaries between a phenomenon and its context are not clearly evident. In addition, when more than one case is used, the evidence is often considered to be more compelling and the method more robust compared to single cases (Yin 2009).

The characteristics of the case were first examined and described using secondary sources of information such as online searches for the two RTOs: the *Associação Circuito do Ouro* (ACO) and the *Instituto Estrada Real* (IER). Secondary data included RTO websites, policy documents, journal articles, magazines and government reports. This desktop analysis was useful in identifying key stakeholders to interview, and in understanding the role, importance and relevance of the various actors in each RTO. There were two main reasons for choosing these RTOs. First, both RTOs are located within the same region in the state of Minas Gerais, which affords a major advantage because nearly all of the tourism actors can reflect on the capacity of both RTOs to lead. Second, both RTOs have been established for more than ten years, which enabled the interviewees to consider how the RTOs have evolved and the differences in governance arrangements and leadership styles over a period of time.

As discussed above, the study employed two data collection methods: desktop analysis of secondary data and interviews. The study gathered information from the executives of the RTOs and the different actors involved in both RTOs regarding the characteristics of the RTO's governance arrangements and about the capacity of the two organizations to lead regional tourism. A total of 14 in-depth semi-structured interviews were completed in two stages. First, the CEO and the executive managers of each RTO were interviewed (n=4). After the four leaders were interviewed, other actors who were common to both RTOs were interviewed, including private-sector (n=3), public-sector (n=3) and third-sector (n=4) representatives (e.g., development agencies and tourism associations). The interviews were conducted in Portuguese in Brazil in January and February 2013.

The interview data collected for this research was analyzed using three techniques adopted from Miles and Huberman's qualitative analysis model (1994): empirical materials reduction (in which transcriptions are coded into several emergent categories, themes and concepts), empirical materials display (i.e., ideographic presentations of these categories, themes and concepts) and conclusion drawing and verifying (by constantly comparing the emergent texts within the codes and with other studies).

## **MINAS GERAIS CASE STUDY**

Since the 1990s, Brazil has introduced a range of social, political and institutional reforms to modernize its economy and facilitate economic and social progress (Lohmann and Dredge 2012). Among the changes, Brazil pursued financial decentralization and introduced reforms in public administration and governance structures that sought to minimize the historical dominance of a heavy-

handed bureaucracy (Marini 2004; Souza 1999; Trindade 2009). These changes presented various challenges for Brazil's political leadership, including the need for institutional structures and processes to reposition the country as more economically accessible and globally competitive (Lohmann and Dredge 2012). As a result, new forms of regional tourism governance that incorporate public-private partnerships are progressively being introduced, institutional responsibility is moving from central to regional levels, and leadership has been decentralized, passing from the national government to RTOs.

Official tourism governance structures in Brazil have four levels and which have been described in detail elsewhere (Haugland et al. 2011; Valente et al. 2014). Briefly, at the Federal level, the Ministry of Tourism is the national tourism agency, and its role is to stimulate inbound tourism, facilitate tourism development through national tourism policies which is, preferably, expected to be followed by the others three lower levels (states, regions and municipalities) and address tourism related issues of national importance. The State tourism agencies are responsible for growing State markets and facilitating State-wide tourism development through State tourism policies which are expected to be followed by the lower level. At the regional level, RTOs have been created with the intention of stimulating and strengthening regional tourism networks through a group of several municipalities working together, product development and targeted marketing. At the local municipal level, usually a Municipal Tourism Department or a similar unit guides tourism development, and public organizations are supported by local tourism industry councils (known as COMTURs). The study area for this case study is a geographical region in the State of Minas Gerais that consists of seven municipalities. Both RTOs analyzed in this research operate across these seven common municipalities. Table 1 compares and contrasts the key characteristics of these RTOs.

*Insert Table 1 about here*

## **FINDINGS**

### **Governance Arrangements for the RTOs**

#### ***Associação Circuito do Ouro (ACO)***

In 2000, the State Tourism Department of Minas Gerais (SETUR-MG) was created and one of its first actions was to incentivize the establishment of several not-for-profit RTOs in the State, including the ACO. The ACO's membership comprises 17 municipalities and its resources are principally derived from public funds from this municipal membership base. Geographically the RTO covers 19 municipalities but two municipalities have not yet decided to join. The ACO is broadly characterized as a bureaucracy-led model of tourism governance, its objectives reflect those of the municipalities that contribute financially to its operation, and in this sense, it operates as an extension of government.

Inclusive *participation* of the widest range of stakeholders in the region has been recognized in the governance literature as contributing to a cohesive organisation and a shared sense of direction (Zehrer et al. 2014). Since its creation, the ACO has demonstrated a keen focus on participation. The ACO holds monthly meetings and, when required, general assemblies to vote on special matters (e.g. the election of board members). According to most interviewed stakeholders, the frequency and the manner in which these meetings occur demonstrates a high level of organized participation. As previously discussed, participation itself does not automatically infer leadership, but in this comment



by one of ACO's members, a reciprocal relationship between participation and leadership is clear amongst the RTO and municipal actors:

Municipalities participate in the ACO's meetings through representatives appointed by [the municipalities], which may be the secretaries, [the director of the municipal tourism department], or some technical person appointed by the municipality. Every month we meet ... and there we talk about technical issues, such as [recent] statistical data and tourism inventories, among other things ... Before each meeting, the ACO sends [to all associates] the meeting agenda. When members come [to the meeting], they find all the issues very well structured and presented on PowerPoint, and then issues start to be discussed and defined... (RTO representative).

However, this leadership is uneven and private-sector participation in ACO remains timid. One RTO representative explains why:

Their participation [i.e., the private sector] is still small. They are still not very participatory. We understand it is difficult for an entrepreneur to drop his own business and come here for a meeting that will not immediately give a return. This entrepreneur needs to pay bills [i.e., company bills] at the end of the month.

This statement illustrates two insights into governance and leadership. First, public (municipal) actors and private actors have different constraints on their participation in RTO governance and therefore will engage differently in governance processes (Gedikli 2009). Second, as a small organization and one that is funded principally by municipalities, the ACO prioritizes local government issues, and has limited capacity to address private sector needs. As a result, participation and membership characteristics appear to shape how leadership is performed and what followers ACO's initiatives are directed towards.

The ACO has sought to establish a *legitimate* RTO that represents regional actors and responds to their priorities. To demonstrate, the ACO has defined its mission and objectives to establish the group's legitimacy.

We had a meeting to define our mission [of the ACO]. This was done in conjunction [with all the members of different sectors] using [participation] techniques. All members were divided into groups, and each group could present the following topics: what they thought was the ACO's role [i.e. the function of the ACO], what was the purpose of the monthly meetings and what would be our objectives... Given these topics, we started to build a text together and adjusted it until we arrived at a clear statement of our mission... Our mission is basically to represent all municipalities [even though two are not yet members] and associates [members] to support and promote the development of sustainable tourism in the region and the development of policies, plans and projects ... (RTO representative).

The literature argues that *accountability and transparency* are important dimensions of governance and these aspects are demonstrated in the case in a variety of ways. Accountability to ACO members (i.e. internally) and to other stakeholders (i.e. externally) is formally achieved by adhering to accepted governance protocols. One practical example is that the ACO presents and discusses annual performance with all associates (i.e. members) with the goal of seeking approval and the continued accreditation of the RTO. In addition, the ACO delivers an annual report to SETUR (the State agency), and a work plan and budget for the coming year.

We have meetings with the Supervisory Board [ACO's board] ... We present spreadsheets regarding what was spent on organization and management, what was spent on coordination and integration, how much was spent on plans and projects, and how much was spent on

information communication and promotion. Although we are a small organization, we already do our accountability with transparency. Today, with little [resources] we already [provide detailed accounts]. “Who makes a transparent business with a ‘thousand Real’<sup>1</sup> will make it with ten million”, that is our thinking. After the accounts are approved here, we take them to the general assembly, which evaluates the report of the Supervisory Board (RTO Representative).

The accountability and professionalism with which these tasks are executed generates respect amongst members including the private sector actor. This in turn consolidates the ACO’s leadership role:

Yes, I consider the ACO [to be an entity that is] legitimate. [In its early stages, the ACO] appeared as an imposed entity [by the state policy of regionalism]. However, [over time it has proved to be] a very good idea, and [the ACO] is becoming more legitimate today because the ACO is the association that works best in the State today (Private sector representative).

The *efficiency* of governance arrangements—the capacity to use resources efficiently and minimize unnecessary effort—is an important dimension of governance (Eagles 2009). In this case, the ACO’s efficiency is paramount: it has limited resources; a plethora of members’ expectations; and it must operate under public sector scrutiny. One ACO representative explained as follows:

Any suggestion, opinion or proposals are welcome if they are aligned with the proposed work program for that year. Otherwise, it is impossible to operationalize the work because our budget and our organizational structure are very small [only two paid staff] ... There was a time that the ACO had two work plans, one for the government and another for the private sector. It was then we could get closer to the private sector. However, it was difficult to sustain [these two work plans]... Our current work plan provides support to municipalities in tourism planning and management, and [the municipalities] can use our management tools [that the ACO offers]... (RTO representative).

The ACO is well perceived in terms of efficiency, and ACO’s efficient operations generate respect amongst stakeholders. This in turn positively reinforces the perception that ACO is demonstrating good leadership. One participant explains:

The news that I have [from the ACO] and in my own view is that there are really efficient professionals there [in the ACO]. The president [of the ACO] is very committed and develops efficient work as is the CEO [of the ACO], who has presented here [at the respondent’s organisation] the Strategic Tourism Plan for the city [the city of Ouro Preto] (Third-sector representative).

*Efficacy* is the capacity of an organization to produce desired results. Many participants noted that despite the limitations of its structure and funding, the ACO has a record of producing positive results that please its stakeholders. The ACO seeks to achieve goals for its public-sector members, as one RTO representative explains:

Municipalities [the public sector] can easily see the results. For the private sector, the main feedback we could give them would be about promotion [marketing]. However, it is expensive to invest in promotion. [The ACO] offers a number of benefits to the municipalities [of the case study region]. [The ACO] seeks partnerships with other entities, makes covenants with other organizations and shows a more effective result. That’s why the ACO today is one of the best RTOs of the State in regard to efficacy (Public sector representative).

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<sup>1</sup> “In this expression, ‘Real’ is a metaphoric currency of honesty, so with honesty one can make a business very profitable.

This perspective suggests that the efficacy of the ACO generates respect among local stakeholders towards the RTO and that this respect, in turn, is tightly bound up with ideas about leadership within regional tourism.

### ***The Instituto Estrada Real (IER)***

The IER is responsible for the development of tourism on the Estrada Real (ER or Royal Road in English), a tourism destination based on an ancient royal road established more than 300 years ago to transport gold and diamonds from the Minas Gerais countryside to the port of Parati in the State of Rio de Janeiro. The ER's tourism products are located along a 1,600 km route that covers 199 municipalities and an area of 80,000 km<sup>2</sup> (Instituto Estrada Real 2012). The IER has established five local branches to better organize operations and to lead its initiatives across the region. One of these sub-regions, the Ouro Preto branch, consists of 22 cities and includes seven municipalities that also belong to the ACO. The IER was established as a not-for-profit NGO through an initiative of the Federation of Industries, Commerce and Tourism of Minas Gerais (FIEMG). The FIEMG is an industry group whose goal is to, among other objectives, strengthen economic development (including tourism) in the region. One RTO representative remarked:

The FIEMG embraced the ER project and created the IER because the FIEMG understood that this idea [ER] could generate new business for [all] industries in the State. Because if tourism grows, it is necessary to build more hotels, which subsequently impacts [other] industries: earthmoving, construction, lighting, furniture, etc. It turned out that when the IER was deployed [more than ten years ago], the FIEMG decided to support it, and other entities [associations and organizations] did not. Recently, [about four years ago], because of the success of the IER, these same entities expressed an interest in working with us ... However, if they wish to participate, they will need to share the costs with FIEMG, and they do not seem to want to... (RTO representative).

The IER is broadly characterized as a market-led model of governance because it represents predominantly private sector membership of the FIEMG (not all of which are tourism businesses). As a result of the centralization of financial control and decision-making in the FIEMG, most participants indicated that the IER demonstrates a high degree of business acumen and a strong commitment to working with the structures and processes established by the parent entity, the FIEMG.

In the past, the IER was perceived as being committed to *participation*, although it is currently perceived as limited. Participants acknowledge that the IER initially based its activities on a good idea: the ER (i.e., the Royal Road). This idea was already a dream of the region because it represented a way to capitalize on the historical legacy of the ancient roads used by the Portuguese in their exploitation of Brazil's mineral wealth. Through the transformational leadership of its first CEO, the IER transformed this collective dream into a reality, and the leadership of the IER during this time was readily acknowledged:

There were many meetings [at the IER] with all of the participating world, trying to trace the paths where the Royal Road could pass, etc. ... [The IER] mobilized the community. I attended enough of this process. It was something [the ER project] that we believed in a lot. I believed in it. I found that the [ER] project was becoming palpable. It was a project that worked very well at first (Private-sector representative).

However, according to participants in this study, the IER gradually lost its commitment to participation and it became a closed organisation. This in turn affected *accountability and transparency*. The IER also started to lose focus, performing a number of tasks usually assigned to public sector, such as the development of infrastructure. A lack of experience with the broader

functions of tourism management (e.g. capacity-building) resulted in the IER prioritizing just marketing aspects of the ER. As a result of this loss in participation, the number and commitment of followers to the IER's goals declined. Moreover, IER's claim to a leadership role in driving tourism in the region diminished in the eyes of stakeholders.

In terms of *accountability* and *transparency*, at least internally with respect to the parent institution (FIEMG), there is a high level of commitment:

The objectives of the IER are formulated by us ... These goals and projects are developed internally, and they are presented to [other tourism actors], particularly to the state [SETUR] ... We say ... "We will work with these goals here, and we have a strategic plan". Then we ask "Do you agree?" ... If they agree with us, then, we deploy [the project]... We are audited by the State. We have a balance sheet and an annual accountability session [with the] FIEMG group (IER representative).

However, internal accountability and transparency do not translate into the leadership of external stakeholders. Nearly all of the participants external to the IER had not seen these accounts and had not observed IER accountability. They knew little of its internal operations, and thus, while these measures might be good internal governance practice, they did not influence perceptions of IER's capacity to lead regional tourism.

The IER is perceived by nearly all of the participants in this study as being an *efficient* organization capable of accomplishing certain goals, such as securing financing for projects:

The IER is able to obtain resources from the IDB [Inter-American Development Bank] because they can prove that they are efficient in the execution of the projects [...] The IER brought many experience [knowledge]; they came with many professionalism. They have always worked with the best [professionals], brought in outsiders with experience to do the job they needed to do. Working this way, they encouraged others [tourism actors] also to work with more professionalism, more responsibly and with greater insight (Municipal public sector representative).

However, there was no evidence that participants saw this efficiency as a leadership quality of the IER, and it had little mobilizing effect upon its followers.

In relation to tourism, IER activities were typically concerned with the marketing of the "Estrada Real" brand. In this activity, most of the participants recognized the *efficacy* of the IER and its capacity to achieve market presence, in its early days:

At international [tourism trade] fairs, everyone asks about the "Royal Road" [ER]. So, this is a great endorsement of [the IER]. The promotion and marketing worked, it was fantastic, and it was responsible for reinvigorating Minas Gerais tourism once again [in the national tourism scenario] (Development agency representative).

Several companies purchased the right to use the ER brand in their product marketing and there are approximately 110 different products on the market that use the ER brand, such as chocolates, coffee, drinks, garments, bags, and cars. Tourist signage on various sections of the ER is another area in which the IER has been active. According to SETUR's secretary, the ER is the most important tourism product in the State of Minas Gerais. This presence of the ER as a cluster of products and its market presence suggest that the IER undertook its activities effectively, at least in the early days. However, participants did not seem to look upon the IER as a leader of regional tourism in the same way that they look upon the ACO.

## DISCUSSION

The ACO was established as a SETUR (State government) initiative, whereas the IER was established by the FIEMG (private sector). The ACO's values and objectives have a strong public-sector influence, whereas the IER is strongly influenced by private sector values and interests. Although the ACO is maintained through fees paid by municipalities, the IER receives financial support from the FIEMG. The ACO has the legal structure of an association, whereas the IER is a not-for-profit NGO. The IER and the ACO possess different capacities and opportunities to lead regional tourism as a result of their different organizational structures, goals and governance arrangements. In the following discussion, the ACO and IER are compared and contrasted in terms of their capacity to lead regional tourism with five key observations emerging.

First, the dimensions of governance were found to have an important but quite complex relationship with the capacity of an RTO to lead. Participation, legitimacy, accountability, transparency, efficiency and efficacy are often discussed as a set of 'sticky' practices that co-exist. That is, they are often discussed as a bundle of practices under the heading of governance, but the way that different dimensions play out separately and together have an important impact on RTO leadership. In this research we found that these dimensions of governance exist to different degrees, there are different levels of commitment to each, they may be practiced independently and implementation can shift over time. Performance in one dimension does not mean performance in another. As a result, any assumption that good governance and good leadership are positively related and go hand-in-hand must be questioned. These findings illustrate that leadership is not an internally consistent act or behavior, it has internal and external dimensions in the RTO context, and it varies across the different functions that an RTO may perform (i.e. capacity building, marketing and product development). For example, strong participation and leadership in one area, as demonstrated by the IER in its marketing role, did not always correspond with strong leadership other areas such as product development or capacity building:

The IER is responsible for placing Minas Gerais State on the tourist map again, not only on the national map but even on the international tourism map. It was the ER that began this "boom", and this is the great merit [of the IER] because the whole of Brazil knows about the ER (Third-sector representative).

A development agency representative explained the leadership void in other areas:

They [the IER] invested [in] many [promotional marketing campaigns], and they did not pay attention to the [capability of the] municipal organization. They did not observe the regional organization of tourism; they did not create the infrastructure necessary to ensure this marketing brings good results. The IER left behind a negative legacy because of [the overemphasis on] marketing as opposed to product development...

Second, in addition to governance dimensions, an important underlying requirement in leading regional tourism is a sympathetic policy environment. The ACO, a public sector-led organization, had greater capacity to lead in areas of product development and capacity building because it could shape the policy environment to support tourism development. Alternatively, the market-led IER had less capacity to create this environment and its leadership was limited to its marketing activities. The IER was marketing products and visitor experiences that had not yet been developed, and dissatisfaction with IER products emerged. These circumstances revealed that the IER, although effective at providing

leadership in destination marketing and promotion, lacked the capacity to lead product development as one participant explained:

[The IER] did not expect to find so many obstacles, so many structural difficulties in unlocking how this tourism product could be consumed.... They hoped that the government, councils, business owners, would wiggle [i.e., respond] automatically ... The thought was “we’re making a boom in the media; now the rest is up to you”... They were hoping that people [from other sectors] could “pick up the slack” (Public-sector representative).

In contrast, the ACO has demonstrated strong, proactive leadership in matters that concern policy coordination and collaboration with different levels of government:

The [ACO] understands well what its role is... The ACO is considered by SETUR to be our regional tourism leader, both with respect to the guidelines of the Ministry [Ministry of Tourism] and the state [SETUR] ... [For this reason], the chances of the ACO getting a grant from public entities are much greater than those of the FIEMG or the IER... (Public-sector representative).

I understand that the ACO was created with the goal of bringing together municipalities to make a tourist structure to improve the cities’ tourism... [and] to be a point of articulation of the prefectures ... If the state government or the federal government has a policy that it wants to deploy, it will do it through the ACO ... (Third-sector representative)

Third, the government-led ACO demonstrated higher levels of participation, transparency, legitimacy and efficacy and they were well respected as leading the development of regional tourism by a range of public and private sector stakeholders. Despite that the literature suggests that public-private governance structures offer a stronger capacity to lead (Hall 1999b; Haufler 2013; Stoker 1998; Wilson et al. 2009), in this case it was participants observed that the public-sector led RTO was able to build capacity of both itself and its stakeholders:

Within the region [destination], [the] ACO has stronger leadership because [it] is able to work to achieve things through the municipalities, particularly its political actors... (Third-sector representative)

Another participant explained that the ACO possessed a capacity to communicate (e.g. clarify, explain, achieve shared understanding) with actors about their roles, responsibilities, goals and actions:

We [the ACO] address the administrative needs of municipalities so that public policies can be constructed and practiced in communities and can be reflected in the market [tourism] scenario... We have worked so that the city itself is able to manage tourism public policy... Laws are not sufficient by themselves... They need to be implemented, [and] they need to be put into community use ... [The] ACO is facilitating regional development because it addresses this information and passes it to the State and Federation in terms of expectations, in terms of funding, in terms of project development... (RTO representative).

Fourth, participation is a particularly important dimension of governance that shapes leadership performance. It has the potential to develop shared goals and to communicate this message to the region’s followers (private, public and third sector stakeholders). The tourism industry is fragmented. It involves many sectors and requires action from a range of actors inside and outside of the industry to achieve results. As one RTO leader stated, “tourism planning is 70% articulation and 30% execution. It is necessary to drive communities and the tourism industry

through regional coordination”. The ACO practiced continual collaborative dialogue with its external followers:

The ACO has a good penetration through the municipalities and political actors. If the federal or State government has a special policy, it will be deployed via the ACO... (Private sector representative).

Fifth, the IER, as a private sector organization, did not demonstrate the same level of commitment to participation, to communication, and to keep its followers informed compared to the ACO. To be fair, the IER had its followers, especially those private sector stakeholders committed to marketing and branding and who had a clear commercial benefit from following and supporting the IER’s initiatives. But the IER did not share the same broad base of followers as the ACO and therefore did not have the same level of leadership in capacity building and product development initiatives.

To illustrate, initially, the IER created an effective marketing campaign. As a result of the positive community feedback, the capacity to mobilize different stakeholders in the IER was facilitated. At first, this mobilization encouraged both public and private stakeholders to work harder and favorable results such as growth in demand were achieved:

Small communities began to see themselves as potential tourism attractions ... [because the IER] brought self-esteem... [The communities start to say] “We exist! We’re on the map”... I think that it was the most important thing accomplished by this marketing work done by the IER... A call for construction ... mobilization by the IER was well done, so much so that ...today if you ask anyone on the street if he or she is part of the ER, he or she will say “yes.” Even if the person is not involved in tourism, he or she will say that his or her city is part of the ER... (Public sector representative).

However, because of the IER’s lack of participation, transparency and accountability, this early mobilization diminished over time and the RTO’s leadership waned:

Currently, the [IER] has lost its leadership ... If you want to legitimize yourself, you cannot “close the doors” [to communication and participation]. You have to keep the “doors open”. The IER is within the FIEMG group, and the FIEMG is a very closed entity. The IER, as an offspring entity of the FIEMG, is imitating this type of mentality [with no transparency]. As a result, the legitimacy of the IER ended up compromised (Third-sector representative).

## CONCLUSIONS

Using an embedded case study of two RTOs in the Brazilian State of Minas Gerais, this paper investigated how governance affects the capacity of RTOs to lead. Specifically, it examined the capacity of a market-led regional tourism organization (i.e., the IER) with a government-led regional tourism organization (i.e., the ACO) to lead regional tourism development. To date, literature has examined destination governance, and paid particular attention to dimensions such as participation, legitimacy, accountability, transparency, efficiency and efficacy. However, the notion of leadership has received little attention (Beritelli and Bieger 2013; Pechlaner et al. 2014) and the literature is silent on the relationship between governance and leadership. This research has shown that the commitment to and implementation of governance principles can be uneven, and the implementation of some or all governance principles does not necessarily lead to strong leadership.

In the context of regional destinations, leadership was demonstrated to be an ambiguous concept because leaders might be individuals vested with a position or coalitions of interests such as RTOs formed for the purpose of leading tourism development (Valente et al. 2014). Moreover, leadership

cannot be understood as a single set of behaviors, a position, or a set of initiatives to achieve particular goals. Instead, leadership in regional tourism was found to be intimately connected to and dependent upon aspects of governance and the policy environment. From this case we also learned that good governance practices in one area (e.g. participation in relation to marketing by the IER) does not necessarily mean that the organization is *leading* regional tourism in a broader sense. An RTO may lead strongly in one aspect and not in another because of its structure, governance arrangements or membership.

Finally, this case demonstrates that the two RTOs examined have different capacities and strengths to lead. This finding challenges the widely held assumption that market-led RTOs are better placed to lead regional tourism and suggests that organisations with different governance arrangements can lead in different realms such as product development, capacity building and marketing.

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**Table 1** Comparison between Governance Arrangements in the ACO and the IER

Main Characteristics	ACO	IER (Ouro Preto Branch)
Geographical area	State of Minas Gerais, Brazil	
Social, political, economic and cultural background	Same characteristics	
Number of municipalities in common	7	
Number of municipalities involved	19	22
Established and supported by	SETUR	FIEMG
Strongly influenced by	Public sector	Private sector
Legal structure	Association	NGO
Governance model	Government-led	Market-led